

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 L-03
XMB-02 SS-15 NSC-05 AID-05 TRSE-00 IO-13 PA-01 PRS-01
USIA-06 /090 W
-----101809Z 125261 /50

R 101345Z FEB 77
FM AMEMBASSY NAIROBI
TO SECSTATE WASHDC 5998
INFO AMEMBASSY DAR ES SALAAM
AMEMBASSY ADDIS ABABA
AMEMBASSY VICTORIA
AMEMBASSY LONDON
AMEMBASSY MONROVIA

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NONROVIA FOR FAA

SECSTATE PASS EXIMBANK

E.O. 11652: N/A
TAGS: EAIR KE TZ BEXP
SUBJECT: KENYA AIRWAYS LTD.

REF: NAIROBI 1534 (NOTAL)

1. SUMMARY: IN INTERVIEW WITH EMBOFF, KENYA AIRWAYS CHAIRMAN G. W. GICHUKI OUTLINED AIRLINE'S FINANCING AND OPERATIONS, INCLUDING FUTURE LEASING PLANS AND EQUIPMENT PREFERENCES. KA UNWILLING TO START BUYING AIRCRAFT UNTIL EAA FLEET DIVIDED AMONGST SUPPORTING STATES; HOWEVER, HE FEELS KA CANNOT WAIT MORE THAN THREE MONTHS FOR THIS DECISION. END SUMMARY.

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2. EMBOFF MET WITH NEW KENYA AIRWAYS LTD. CHAIRMAN G.W. GICHUKI TODAY TO DISCUSS AIRLINE ORGANIZATION, CAPITALIZATION, PURCHASING PLANS, ETC. KA HAS CONCENTRATED, DURING ITS FIRST WEEK, ON STARTING UP MODEST FLIGHT SERVICE OVER LONDON-NAIROBI AND NAIROBI-MOMBASA ROUTES. AIRLINE MANAGEMENT TECHNICALLY IN HANDS OF SIX DIRECTORS: CHAIRMAN GICHUKI, FELLOW EX-EAA BOARD MEMBERS BRUCE

MCKENZIE AND RICHARD DOUGLAS; PERMSECS OF POWER AND COMMUNICATIONS AND FINANCE AND PLANNING; AND DEPUTY SECRETARY IN OFFICE OF PRESIDENT. GICHUKI, DOUGLAS, AND MCKENZIE, HOWEVER, ARE KEY DECISION-MAKERS AT THIS STAGE ON QUESTIONS OF AIRLINE OPERATIONS AND PURCHASING PLANS. BOTH DOUGLAS AND MCKENZIE ARE CURRENTLY ON THE ROAD IN EUROPE INVESTIGATING AIRCRAFT LEASING CONTRACTS AND CONTACTING TOURIST SERVICE CENTERS TO PUBLICIZE KA. GICHUKI IS TRYING TO HOLD DOWN TWO JOBS: CHAIRMAN OF KA AND CHAIRMAN-EXECUTIVE DIRECTOR OF TANA RIVER DEVELOPMENT AUTHORITY (MAJOR GOK IRRIGATION SCHEME). PRINCIPAL POINTS COVERED IN CONVERSATION WITH EMBOFF FOLLOW BELOW.

3. CAPITALIZATION OF KA: NEW AIRLINES IS LIMITED LIABILITY COMPANY WITH 99 PERCENT OF SHARES OWNED BY GOK AND 1 SHARE IN HANDS OF TREASURY PERMSEC. THIS IS NORMAL STRUCTURE OF GOVERNMENT-CONTROLLED CORPORATION. GICHUKI SAID GOK WILL SUBSIDIZE KA THROUGH ANNUAL BUDGET ALLOCATIONS STARTING IN FY 78 BUT FOR PRESENT AIRLINES IS FUNDED BY BANK OVERDRAFTS GUARANTEED BY TREASURY.

4. ROUTES: KA HAS PLANS TO EXPAND EUROPEAN SERVICE BEYOND CURRENT STOPS IN ROME, FRANKFURT AND LONDON TO INCLUDE ATHENS AND ZURICH. SERVICE WILL ALSO RESUME EVENTUALLY ON AFRICAN ROUTES TO NEARBY COUNTRIES ETHIOPIA, SUDAN, SOMALIA AND ZAMBIA, BUT GICHUKI COULD NOT PREDICT WHEN.

5. AVIATION BILATERALS: AS REPORTED IN REFTEL, GOK HAS LIMITED OFFICIAL USE

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INFORMED COUNTRIES ENJOYING BILATERAL AVIATION AGREEMENTS WITH EAC THAT, FOR TIME BEING, KENYA WILL RESPECT ITS PORTION OF THESE TRAFFIC RIGHTS. GOK WILL ADVISE INDIVIDUAL GOVERNMENTS OF ANY DESIRE TO RENEGOTIATE NEW AGREEMENT. ALTHOUGH GOK DID NOT ANTICIPATE ANY DIFFICULTIES WITH THIS INTERIM ARRANGEMENT, GICHUKI WAS INFORMED SHORTLY PRIOR TO MEETING WITH EMBOFF THAT KA PLANE HAD BEEN DETAINED AT ROME AIRPORT ON ORDERS OF ITALIAN GOVERNMENT DUE UNSATISFACTORY NOTIFICATION OF TRAFFIC RIGHTS. HE IS ATTEMPTING TO INVESTIGATE INCIDENT, BUT BLITHELY ANNOUNCED THAT THIS WOULD BE NO PROBLEM FOR KENYA -- ALITALIA FLIGHTS WOULD MERELY BE GROUNDED IN NAIROBI.

6. STAFFING: KA IS FLESHING OUT ITS PERSONNEL ORGANIZATION WITH KENYAN EMPLOYEES OF EAST AFRICAN AIRWAYS, WHO ARE STILL ON EAA PAYROLL UNTIL END OF MONTH BUT HAVE NO WORK RESPONSIBILITIES. GICHUKI IS SELECTING KEY OPERATIONS AND ADMINISTRATIVE OFFICERS, BUT FOR THE MOMENT NO FLIGHT PERSONNEL. HE IS ALSO TRYING TO PERSUADE A FEW OF THE

AER LINGUS MANAGEMENT TEAM TO STAY IN KENYA FOLLOWING
CANCELLATION OF THEIR CONTRACT WITH EAA.

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7. PURCHASING PLANS: GICHUKI FEELS HE HAS TWO OPTIONS -- FIRST, TO AWAIT A COMMUNITY DECISION ON APPORTIONMENT OF EAA'S FLEET AND SECOND, TO START SHOPPING FOR SECOND-HAND AIRCRAFT TO AUGMENT TWO WET-LEASED 707'S NOW IN OPERATION. HE PERSONALLY WOULD GIVE EAC THREE MONTHS TO DISPOSE OF EAA PLANES BEFORE RECOMMENDING THAT KA BUY ELSEWHERE. IN THE EAA FLEET, KA WOULD BE INTERESTED IN POSSIBLY TWO VC-10'S AND ONE OR TWO DC-9'S.

ALTHOUGH GICHUKI DID NOT MENTION IT, EMBOFF BELIEVES KA ALSO DESIRES A CARGO CARRIER, SUCH AS THE B-707 GROUNDED IN LONDON BY BRITISH AIRCRAFT CORPORATION. GICHUKI HIMSELF

IS PARTIAL TO BOEING AIRCRAFT, MOSTLY IT APPEARS ON THE BASIS OF AVAILABILITY OF PARTS. HE IS RELUCTANT TO PURCHASE DISCONTINUED MCDONNEL-DOUGLASS MODELS FOR FEAR OF FUTURE PROBLEMS WITH MAINTENANCE PROGRAM. ONCE FLEET COMPOSITION KNOWN KA WILL BE IN BETTER POSITION TO ASSESS TRAINING AND MANAGEMENT ASSISTANCE REQUIREMENTS.

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8. AIRCRAFT LEASING: KA'S WET-LEASE CONTRACT WITH BRITISH MIDLANDS IS PROVIDING CRITICAL STOP-GAP ASSISTANCE WHICH BOTH PARTIES HOPE TO TERMINATE AS SOON AS POSSIBLE. ACCORDING TO GICHUKI, CONTRACT RUNS FORTNIGHTLY AND CAN BE TERMINATED ON THREE-DAYS NOTICE. EMB HEARD FROM REP OF US AIRCRAFT MANUFACTURE THAT COST IS ABOUT 300,000 DOLLARS PER TWO WEEKS. SAME REP CALIMED THAT BRITISH MIDLANDS HAS TRIED TO REPLACE ONE OF ITS 707'S IN KA SERVICE WITH DC-8 BUT GICHUKI STRONGLY OBJECTED. KA IS WORKING THROUGH BM TO ACQUIRE ADDITIONAL LEASED AIRCRAFT -- SPECIFICALLY A DC-8 CARGO AND A B-737. GICHUKI HAS ALSO SOLICITED BIDS ON DRY-LEASED DC-9 AND BAC-111.

9. WHITHER EAA? MEETING OF EAC FINANCE AND COMMUNICATIONS COUNCIL SCHEDULED FOR FEB. 9 WAS POSTPONED TO FEB. 14. GICHUKI IS PESSIMISTIC ABOUT EARLY RESOLUTION OF OUT-STANDING PROBLEMS SURROUNDING EAA BEDT COMMITMENTS. AIRLINE TECHNICALLY STILL EXISTS ALTHOUGH FLEET GROUNDED FOR LACK OF FUEL AND ACCESS TO KENYAN-BASED MAINTENANCE FACILITIES; STAFF AWAITING FEBRUARY SALARIES; OFFICES CLOSED FOR NON-PAYMENT OF RENT. GOK HAS TAKEN PAINS SO FAR TO DIVORCE ITSELF FROM DIRECT RESPONSIBILITY FOR BREAK-UP OF EAA; THEREFORE, KA UNLIKELY TO PROVOKE POLITICAL OR LEGAL HARRASSMENT FROM TANZANIA BY UNILATERALLY CONFISCATING EAA AIRCRAFT. TANZANIA STAFF OF EAA REMAINS IN NAIROBI. ALTHOUGH NEWSPAPERS REPORTED THAT TANGOV HAS ORGANIZED CHARTER FLIGHT TO TAKE PERSONNEL HOME, ONE TANZANIA EMPLOYEE INFORMED EMB THAT NEARLY ALL HIS CONATIONALS ARE STILL IN KENYA UNDER ORDERS TO STAY PUT UNTIL TANGOV SUBMITS LIST OF INDIVIDUALS ACCEPTED BACK INTO EMPLOYMENT IN TANZANIA. TO HIS KNOWLEDGE, TANZANIANS ARE NOT BEING ABUSED OR THREATENED BY KENYAN OFFICIALS, BUT AIRLINE EMPLOYEES HAVE LOST THEIR HOUSING AND ARE QUICKLY BECOMING WELFARE PROBLEM.

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Message Attributes

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